

**Letter of Findings: 01-20181642
Indiana Individual Income Tax
For The Tax Year 2015**

NOTICE: IC § 6-8.1-3-3.5 and IC § 4-22-7-7 require the publication of this document in the Indiana Register. This document provides the general public with information about the Department's official position concerning a specific set of facts and issues. This document is effective on its date of publication and remains in effect until the date it is superseded or deleted by the publication of another document in the Indiana Register. The "Holding" section of this document is provided for the convenience of the reader and is not part of the analysis contained in this Letter of Findings.

HOLDING

Individual was responsible for additional Indiana income tax for the 2015 tax year because after a cross-reference examination with the federal information, the federal information reflected that Individual had a higher adjusted gross income.

ISSUE

I. Indiana Individual Income Tax - Federal Adjustment.

Authority: IC § 6-3-1-3.5; IC § 6-3-2-1; IC § 6-8.1-5-1; *Lafayette Square Amoco, Inc. v. Indiana Dep't of State Revenue*, 867 N.E.2d 289 (Ind. Tax Ct. 2007); *Indiana Dep't of State Revenue v. Rent-A-Center East, Inc.*, 963 N.E.2d 463 (Ind. 2012); *Miller Brewing Co. v. Indiana Dep't of State Revenue*, 903 N.E.2d 64 (Ind. 2009); *Scopelite v. Indiana Dep't of Local Gov't Fin.*, 939 N.E.2d 1138 (Ind. Tax Ct. 2010); *Wendt LLP v. Indiana Dep't of State Revenue*, 977 N.E.2d 480 (Ind. Tax Ct. 2012).

Taxpayer protests the Department's assessment of individual income tax for 2015.

Statement of Facts

Taxpayer is an Indiana resident who timely filed her 2015 Indiana Full-Year Resident Individual Income Tax Return (IT-40 Form) and received a tax refund in 2016.

In 2018, the Indiana Department of Revenue ("Department") cross-referenced information in its records with the federal information maintained by the Internal Revenue Service ("IRS"). The Department determined that, for the 2015 tax year, Taxpayer had an additional \$1,143 in federal adjusted gross income than what was reported in her 2015 return, IT-40 Form. The Department concluded that Taxpayer owed additional Indiana and county income tax and, as a result, assessed Taxpayer additional income tax, penalty, and interest.

Taxpayer timely protested the assessment and submitted additional supporting documents including the IRS Record of Account for 2015. Taxpayer requested that the Department make the determination without an administrative hearing. This Letter of Findings ensues and addresses Taxpayer's protest of the proposed assessment. Additional facts will be provided as necessary.

I. Indiana Individual Income Tax - Federal Adjustment.

Discussion

Pursuant to the cross-reference of the federal information, the Department determined that Taxpayer had an additional \$1,143 in federal adjusted gross income than what was reported on her 2015 return, IT-40 Form. As a result, the Department assessed Taxpayer additional income tax, penalty, and interest. Taxpayer disagreed, arguing that she correctly filed her return and was not responsible for the additional tax.

The issue thus is whether Taxpayer demonstrated that she correctly filed her Indiana return reporting her adjusted gross income subject to Indiana and local income tax.

As a threshold issue, all tax assessments are *prima facie* evidence that the Department's claim for the unpaid tax is valid; the taxpayer bears the burden of proving that any assessment is incorrect. IC § 6-8.1-5-1(c); *Lafayette*

Square Amoco, Inc. v. Indiana Dep't of State Revenue, 867 N.E.2d 289, 292 (Ind. Tax Ct. 2007); *Indiana Dep't of State Revenue v. Rent-A-Center East, Inc.*, 963 N.E.2d 463, 466 (Ind. 2012). "[E]ach assessment and each tax year stands alone." *Miller Brewing Co. v. Indiana Dep't of State Revenue*, 903 N.E.2d 64, 69 (Ind. 2009). Thus, the taxpayer is required to provide documentation explaining and supporting her challenge that the Department's assessment is wrong. Poorly developed and non-cogent arguments are subject to waiver. *Scopelite v. Indiana Dep't of Local Gov't Fin.*, 939 N.E.2d 1138, 1145 (Ind. Tax Ct. 2010); *Wendt LLP v. Indiana Dep't of State Revenue*, 977 N.E.2d 480, 486 n.9 (Ind. Tax Ct. 2012).

Indiana imposes a tax "on the adjusted gross income of every resident person, and on that part of the adjusted gross income derived from sources within Indiana of every nonresident person." IC § 6-3-2-1(a). To efficiently and effectively compute what is considered the resident/taxpayer's Indiana income tax, the Indiana statute refers to the Internal Revenue Code. IC § 6-3-1-3.5(a) provides the starting point to determine the taxpayer's taxable income and to calculate what would be his or her Indiana income tax after applying certain additions and subtractions to that starting point, with modifications thereafter.

In this instance, during the initial cross-reference examination, the Department found that Taxpayer had an additional \$1,143 in federal adjusted gross income than what was reported in her 2015 return, IT-40 Form. The Department thus adjusted Taxpayer's federal adjusted gross income to comport with the IRS record.

Taxpayer, to the contrary, asserted that she correctly filed her 2015 return. In addition to her W-2 and a Form 1098-E, Student Loan Interest Statement, Taxpayer offered a copy of page one of her 2015 federal return, 1040A Form, to support her protest. During the protest, Taxpayer further obtained a verifiable copy of her Record of Account from the IRS as requested by the Department.

Upon review, however, Taxpayer's reliance on her 2015 return is misplaced. Taxpayer, in this instance, claimed a \$3,643 "Student Loan Interest Deduction" in Line 18, 1040A Form. But, Taxpayer's supporting documentation demonstrated that the IRS disallowed a portion of "Student Loan Interest Deduction" - in the amount of \$ 1,143 - which Taxpayer claimed in her return. In other words, the IRS only allowed Taxpayer to claim \$2,500 (not \$3,643) under the "Student Loan Interest Deduction." The disallowance resulted in additional taxable income subject to Indiana and local income tax. In other words, because the IRS disallowed Taxpayer's claimed \$1,143 deduction for 2015, Taxpayer had higher federal adjusted gross income than the amount stated in her federal and Indiana returns. Therefore, the Department correctly assessed Taxpayer additional income tax.

In short, given the totality of the circumstances, Taxpayer had additional income subject to Indiana and local income tax.

FINDING

Taxpayer's protest is respectfully denied.

October 24, 2018

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